DRAFT

COLLABORATION PRINCIPLES

FOR

FUTURES INPATIENT PROGRAM

STATE OF VERMONT

AND

GENERAL HOSPITAL PARTNER

MAY 16, 2008

Futures
Inpatient Program

Guiding Principles

1) **Definitions.** In addition to words and terms defined elsewhere herein, the following terms as used herein shall have the following meaning:

   a) Program**.** The psychiatric inpatient program operated by the Partner including the Partner's Current Capacity and the proposed New Capacity.
      i) Current Capacity – Partner's existing psychiatric inpatient service at current average daily census, serving voluntary, involuntary and forensic evaluation patients.
      ii) New Capacity – Proposed additional capacity with a care environment, clinical capabilities and support services necessary to serve a higher acuity patient, i.e. patients currently served by Vermont State Hospital.

   b) Project**.** The proposed new facility or renovated facility designed and constructed to house the Program.

   c) State**.** The State of Vermont acting by and through its Agency of Human Services and Department of Buildings and General Services.

   d) Partner**.** The general hospital partner.

   e) Designated Agencies. An agency designated by the Commissioner of Mental Health pursuant to 18 V.S.A §8907.

   f) DMH. Department of Mental Health of the Agency of Human Services of the State of Vermont.

2) **Program Principles.**

   a) The Program will be an integrated part of the state wide system of care.
      i) The Program will coordinate with ongoing care system via discharge planning and system development.
      ii) The Program will participate in the state-wide care management system to assure that Vermonters have access to the clinically appropriate level of care they require.
      iii) The Program will work with the State and Designated Agencies to assure the continued success and improvement of the mental health outpatient, residential, and emergency continuum of care.
      iv) The State will allocate resources to assure a balanced system of care.

b) The Program will provide high quality, clinically appropriate care for patients who meet inpatient admission criteria.
   i) The Program will serve all patients who meet admission criteria regardless of severity of illness, ability to pay, or legal status.
   ii) The Program will operate as a single inpatient psychiatric program (with different levels of care or treatment milieus) under the license of the general hospital.
   iii) The State and the Partner will work to provide care in the most clinically appropriate setting and use inpatient programs only for those patients who require inpatient level care.
   iv) Psychiatric inpatients will have full access to comprehensive medical center services. Medical, mental health, and substance abuse treatment and care will be fully integrated and coordinated.
   v) The Program will provide active treatment for involuntary patients who meet medical necessity criteria for hospitalization throughout their length of stay.
   vi) The Program will provide non-emergency involuntary medication consistent with Vermont Statute and regulations.
   vii) The Program will meet all relevant standards for hospital licensure, certification by the centers for Medicare and Medicaid Services, hospital accreditation by the Joint Commission and all standards for Commissioner Designation for Involuntary Psychiatric Inpatient Treatment and Forensic Evaluation Admissions.
   viii) Preference for employment in the Program shall be given to the qualified members of the Vermont State Hospital work force.

3) Governance Principles.

a) The Program shall be governed by the Partner's board of directors, management team and medical leadership.

b) A stakeholder advisory panel (consumers, family, and community members) shall be created to advise Partner and Program management on the creation, implementation and performance of the Program.

4) Fiscal Principles.

a) Capital Financing. Fiscal responsibility for capital costs will be allocated between the State and the Partner on a fair and reasonable basis. The State and the Partner will agree on proportionality of investment and relative terms of the final disposition of ownership of the facilities. Capital financing for the Project could come from a variety of sources including: hospital capital investment, State of Vermont capital investment, revenue anticipation bonds, federal grants, private grants, and developer tax exempt financing.

The State identifies the following options for capitalization and disposition of ownership for the Project:

i) Option 1 – The Partner and the State will jointly develop the Project that would eventually be subdivided through a condominium arrangement. Development costs and construction costs would be prorated based on the proportional space allocation of the respective condominiums. Each organization would ensure the availability of capital funds for their respective shares.
ii) Option 2 – The Partner would lead the development of the Project and the State would contractually pledge (debt financing) a proportional share of the funds. The Partner would be the sole provider of development and construction funding as the eventual owner of the entire facility. The State's investment would be protected through contractual operating agreements.
iii) Option 3 - The Partner and the State would jointly identify a private developer to undertake the financing, development, and construction responsibilities. All of the aforementioned sources of funds could be utilized. Final disposition of the Project would be based on the proportionality of investments and operating agreements. Either a condominium arrangement or sole ownership by the Partner would be negotiated.

b) Operations Financing–Fiscal responsibility for operation costs will be allocated between the State and the Partner on a fair and reasonable basis.

i) Program Budget. The State and the Partner will establish an annual line item budget for the Program based on the following:
   (1) The State and Partner will commit to an approach of mutuality to determine the allowable costs attributable to the Program budget.
   (2) The Program budget will be the basis for the rate structure.
   (3) The Program shall be designed to maintain an occupancy rate of (at least) 90% or greater. The overall Program budget will be based on 100% of the costs at this occupancy rate.
   (4) Overhead costs allocated to the Program will be mutually agreed upon.
   (5) Capitalization costs/ debt service (if any) allocated to the Program will be mutually agreed upon.
   (6) The Program line item expenses will be tracked in a separate cost center from that of the Partner. Monthly reports of the revenues and expenses shall be submitted to the DMH business office.
ii) Cost Sharing.
   (1) The Partner will pursue all reimbursable costs for all patients through private pay Medicare, Medicaid, and other insurers.
   (2) The costs associated with the New Capacity are assumed to be greater than the costs associated with the Current Capacity and any cost sharing arrangement should reflect these two levels of cost/care.

(3) The State will guarantee 100% of the agreed upon expenses for the New Capacity provided the 90% occupancy target is met with patients who would otherwise have been served at VSH.

5) Collaboration Principles Throughout Project Phases

a) Project Phases. The phases of the Project shall be as defined as follows:

i) Planning. The Planning Phase of the Project is the period following the date of an agreement in principle between the State and the Partner and until the filing of the CON application. During the Planning Phase, the parties shall work collaboratively to develop and approve the following definitive materials and documents for the Project, which shall be acceptable to both parties (the "Project Planning Documents"):
(1) A site location and site plan for the Project, including adequate parking;
(2) A Project design with design and development plans and specification in sufficient detail to proceed with the Permitting Phase;
(3) A capital budget for the Project;
(4) A timeline for the Project Phases;
(5) A completed CON application and any other planning documents / elements necessary for a CON application; and
(6) A signed agreement (s) between the State and the Partner that:
(a) describes the clinical program elements for patients admitted to the Program;
(b) defines the terms of ownership, operation, management and financing of the Project and the Program;
(c) binds the parties for as long as the Program is operated by Partner and the Project is used by the Partner for the agreed upon purposes;
(d) includes standard State contract provisions.
(7) The parties shall not proceed to the Permitting Phase unless all of the Project Planning Documents have been approved in writing by both parties.

ii) Permitting. The Permitting Phase of the Project is the period after the Planning Phase has been substantially completed and applications are submitted for the following permits in the following order:
(1) CON,
(2) Once the CON has been approved, local and state zoning and land use permits, all other applicable governmental licenses and permits for the Project.
(3) Final construction documents will be completed.

iii) Construction. The Construction Phase of the Project is the period which follows after all necessary permits have been obtained and final construction documents have been developed, through substantial completion of the construction of the Project.

iv) Operation. The Operation Phase of the Project is the period after (or in the case of preparatory planning, concurrent with) the construction of the Project has been substantially completed and all necessary occupancy permits have

been received, including activities related to the preparation for opening the Project and the actual management and operation of the Project for its intended use.

b) A joint project team composed of representatives of the State and the Partner will be established. This team will meet regularly until the Project is completed in order to make joint decisions and to share information concerning implementation of this Agreement and the development of the Project and implementation of the Program.

c) Leadership and respective obligations of the parties during the Project Phases will be assigned by agreement of the parties. Partner, as licensed hospital, will lead the development of the CON application and CON approval process.

d) Stakeholder participation. During the Project Phases and prior to opening of the Program, the Partner shall convene regular meetings of a stakeholder advisory panel (as discussed in Section 3(b) above) to provide feedback on specific, emerging Program and Project characteristics, including:
   i) Program design
   ii) Development of estimated operating costs
   iii) Identification of appropriate facility characteristics and site
   iv) Development of estimated construction / renovation costs
   v) Development of CON application
   vi) Community outreach and engagement

e) Communications. The State recognizes the importance of effective communication, consistent with these Collaboration Principles. The State and the Partner will:

   i) Not make any public statements concerning the position of commitments of the other party with respect to the Project (confidential and proprietary information) without the consent of the other party, except as may be required by applicable State law.
   ii) Coordinate all public statements and presentations concerning the Project and the Program by sharing such communications with each other and seeking input before the communication is made.
   iii) Be inclusive and transparent in appropriately communicating non-confidential information concerning the Project with the public and other interested parties as such information is developed.
   iv) Appropriately solicit and consider input from each other and from interested parties concerning the Project as it is being planned and developed.